

April 29, 2008 – For Immediate Release

For more information contact:

Chair Greg Jergeson, 406.444.6166

Public Information Specialist Sarah Carlson, 406.444.6171

Rate Analyst Will Rosquist, 406.444.6359

PSC Approves Reductions for NWE Customers

The Montana Public Service Commission (PSC) today trimmed the amount some Northwestern Energy (NWE) customers pay for electricity. The savings apply to residential and small farm customers, and are possible because of a new arrangement between the Bonneville Power Administration (BPA) and NWE in which the BPA has agreed to pay \$3.9 million to NWE for the Residential Exchange Program (REP).

The BPA has strict operating rules designed to make sure the benefits of the Federal Columbia River Power System are distributed appropriately among citizens in the northwestern U.S. One approach of the BPA is the REP, which provides rate relief for customers served by investor-owned companies with more expensive sources of power, such as NWE. The BPA spreads the benefit of its less expensive power by issuing credits to NWE, which Northwestern then issues to their customers. This credit typically appears as a negative number on NWE power bills, and reduces the customer's costs. Specifically it is the "Residential BPA Exchange Credit" line found on page two, line four of most bills.

The operation of the BPA has been the subject of numerous legislative efforts and court cases since the early 1970s. In May 2007, the 9th Circuit Court of Appeals determined that the BPA must change how REP credits were being distributed. As a result, BPA ceased paying NWE REP credits until a new arrangement could be determined. NWE in the meantime had already issued in excess of \$1 million more in customer credits than they had received from the BPA. To recover that money, in November 2007 NWE began using a positive rate on the "Residential BPA Exchange Credit" line, increasing—rather than decreasing—the amount paid by customers.

BPA has agreed to pay the \$3.9 million in a new agreement designed to pass judicial muster signed late last month. Consequently, NWE requested the PSC allow the company to eliminate their Residential BPA Exchange Credit charge in May and June and begin distributing the credit in July. The PSC unanimously approved the request today and the lower power bills for residential and small farm consumers should start soon. In May and June, a typical residential customer using 750 kilowatt hours/month will pay about 34 cents/month less than they do now, and \$1.20/month less in July and beyond compared to their current bill.

"This is a victory for Northwestern customers," noted PSC Chair Greg Jergeson, "we are extremely pleased that BPA and NWE were able to fashion a workable agreement benefitting Montana consumers."

Video and audio archives of the PSC's discussion on this decision are at <http://psc.mt.gov/eDocs/#Calendars>.

Made up of 5 elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.